

**THE MEGHALAYA STATE ELECTRICITY
REGULATORY COMMISSION**

EIGHTH ANNUAL REPORT

2014 – 2015

(As required under Section 105 of EA-2003)



**NEW ADMINISTRATIVE BUILDING, 1ST FLOOR, LEFT WING, LOWER
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ANNUAL REPORT

2014-15

1. INTRODUCTION

The Meghalaya State Electricity Regulatory Commission was notified by the Government of Meghalaya under the provision of Section 82 of the Electricity act 2003 on 26 March 2004. The Commission became functional on 6th of June, 2006 on which date the first Chairperson, Shri. Vinay Kohli, IAS (Retd) assumed charge. Shri. Kohli demitted office on 11 January, 2009. Shri P J Bazeley, IAS (Retd), took over as Chairman of the Commission on 1st July 2009 and demitted office on 22 February 2011. Present incumbent Shri. Anand Kumar joined the Commission on 2nd August 2011 as Commission Chairman. During the period, the Commission endeavoured to set up a fair, transparent and objective electricity regulatory process in the state of Meghalaya. The Seventh Annual report was sent to Commission & Secretary, Power Department vide letter No. MSERC/AR/11-12/41 dated 29th September 2014. This EIGHTH Annual Report is for the year 2014-15.

2. THE COMMISSION

The Commission was constituted under the provision of the Electricity Act 2003. The commission is a body corporate having perpetual succession and common seal with power to acquire, hold and dispose of property both movable and immovable and to contract and shall by the said name sue or sued. In addition the commission is a quasi-judicial body with effect from 6th June 2006.

This commission is a one member Commission. In recognition of the need for multi-disciplinary approach while addressing issues related to independent regulation, the statute prescribes that the chairman shall be person of ability, integrity and standing who have adequate knowledge of and having shown capacity in dealing with problems relating to engineering, finance, commerce, economics, law or management. The chairman is appointed by the Government of Meghalaya from a panel recommended by Selection Committee constituted as prescribed under the statute. The statute also provides for the appointment of a secretary to the commission whose powers and duties are defined by the Commission.

3. MISSION OF THE COMMISSION

The mission of the Commission is to:

- (a) Promote reforms in the electricity sector;
- (b) Encourage transparency, competition and economy;

- (c) Regulate the power purchase and procurement process of the distribution utilities.
- (d) Secure that the legitimate interests of all stakeholders including the consumers.

4. FUNCTIONS OF THE COMMISSION

The Commission is vested with the responsibility of discharging the following statutory functions:

- (1) Determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State;
- (2) Regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (3) Facilitate intra-State transmission and wheeling of electricity;
- (4) Issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- (5) Promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of distribution licensee;
- (6) Adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;
- (7) Levy fee for the purposes of the Electricity Act, 2003;
- (8) Specify State Grid Code;
- (9) Specify or enforce standards with respect to quality, continuity and reliability of service by licensee;
- (10) Fix the trading margin in the inter-State trading of electricity, if considered necessary;
- (11) Discharge such other functions as may be assigned to it under the Electricity Act, 2003;

- (12) Advise the State Government on all or any of the following matters, namely:-
- (i) Promotion of competition, efficiency, and economy in the activities of the electricity industry,
 - (ii) Promotion of investment in electricity industry,
 - (iii) Reorganisation and restructuring of the electricity industry in the State including, more particularly, matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by the State Government.
- (13) The State Commission shall ensure transparency while exercising its powers and discharging its functions.
- (14) In discharge of its functions the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy published under section 3.

5. CHAIRPERSON

During the period under report, the Commission was headed by Shri Anand Kumar as Chairperson.

6. CONSULTATIVE BODIES

The Chairman of the Commission is a member of the Forum of Regulators (FOR), a statutory body established in accordance with the provisions of sub-section 2 of section 166 of the Electricity Act, 2003.

During the period under review several meetings of the Forum and its sub-committees were held. These meetings helped in coordinating and aligning regulatory matters, policies and practices followed by different States.

The Chairman is also a member of the Forum of Indian Regulators (FOIR). This is a registered society and predates the Forum of Regulators. The membership of this body is not confined only to regulators in the Power sector. Several members of this forum have a wealth of experience of regulatory processes and procedures and the deliberations provide an opportunity for wide ranging in-depth examination of technical, legal and implementation issues.

7. HUMAN RESOURCE.

Under the Electricity Act 2003, the Secretary of the Commission assist the Chairperson in all statutory matters and in personnel, administration, accounts/Finance.

The present Secretary is Shri J.B.Poon, retired Chief Engineer (Electrical) of MeSEB. Smti. Marylene Synrem is the Finance and Accounts Officer. The other support staffs consists of two stenographers, one lower division assistant, two drivers, three peons, one cleaner and a chowkidar.

Besides full time employees, the Commission has been utilising the need based services of consultants in the disciplines of law, finance and electrical engineering.

8. OFFICE ACCOMODATION

On September 2007, the State Government allotted one wing of the 1st floor of the New Administrative Building at Lower Lachumiere, Shillong. The Commission moved to these new premises in December, 2007.

9. LAN & WEBSITE:

The computers in the Commission's office are connected through networking to local area network (LAN). The system is useful for access of any information. The commission has its own website, www.mserec.gov.in, which is regularly maintained and updated by the NIC. The website is used for hearing schedules, news, updated, tariff related issues, meetings, inviting comments on concept papers, regulations, petitions, tenders, job vacancies, etc. It also provides information on Consumer Grievances Redresal Forum and Ombudsman and guides the consumer for redressal of their grievances. Further information like updating notified Regulations, Orders and Reports are also available and can be downloaded from the website.

10. STATE ADVISORY COMMITTEE

In exercise of the powers conferred under section 87 of the Electricity Act, 2003, the Commission, under a notification dated 5th February 2007, constituted the Meghalaya State Electricity Advisory Committee to advise on questions of policy, protection of interest of consumers, and other matters relating to supply and distribution of electricity in the State. This Committee has been reconstituted by the Commission on 17 March 2010 with the following members:

- | | | | |
|------------------------|----|---|--|
| Chairperson Ex-officio | 1. | : | The Chairman, Meghalaya State Electricity Regulatory Commission |
| Member Ex-officio | 2. | : | The Principal Secretary/Commissioner and Secretary, Food, Civil Supplies and Consumer Affairs Department, Government of Meghalaya. |
| Members | 3. | : | Shri. Macmillan Byrsat, Pyndegrei Village,
PO: Nongstoin-793119, W K Hills. |

5. : Smti. J.E.Shullai, Shillong;
6. : Prof. Eugene D. Thomas,
Pro-Vice Chancellor, NEHU, Tura Campus
Tura-794002, WGHills.
7. : Shri. E.N.Marak, MCS(retired)
Matchakolgre, New Tura Araimile
West Garo Hills, Tura-794101
8. : Shri. S.K. Lato, Jowai;
9. : Shri. Ramesh Bawri, President Confederation of
Industries, Meghalaya, Bawri mansion,
Dhankheti.
10. : Chairman, the Institution of Engineers (India),
Meghalaya Centre, Barik Point, L. Lachumiere,
Shillong - 793001
11. : Director (E&M) HQ,CE Shillong Zone,
SE Falls, Shillong-11, Phone: 2534847
12. : Vice President (BD), IEX, New Delhi).

Convenor : Secretary, MSERC

CGRF

MeECL vide notification No. MeECL/GA.II/270/2007/280 dated 20 January 2012 & MeECL/GA.II/270/2007/292 dated 18 April 2012, constituted the Consumer Grievances Redressal Forum with Headquarter at MeECL corporate office, Lumjingshai with the following members:

- 1 Smti. Mildred Iawphniaw
Post Master General (Retd) - Chairperson
- 2 Shri. Jitendra Sarma. - Member
CAO (Retd) MeECL
- 3 Shri. P.Lyngdoh
Director (D) (Retd), MePDCL - Member

Powers and function of the Forum:

- (a) The Forum shall examine and consider all complaints that it receives and pass orders for the corporation to remedy the fault or defect within such time as it may decide.
- (b) In exercising its function the Forum shall have powers to call for information from the Corporation or any other person concerned and to hear him.
- (c) In dealing with any matter, the Forum may engage or consult a person having special knowledge or skill in the field.
- (d) A complaint shall be disposed of within a maximum period of fifteen days from the date of receipt and the complainant consumer and the Corporation shall be informed of the decision taken.

Under the said Regulations, the grievances may relate to:-

- (a) Voltage fluctuation.
- (b) Erratic supply of Electricity.
- (c) Defective billing.
- (d) Defective meters.
- (e) Defective street lights.
- (f) Default in attending to routine complaints.
- (g) Any other fault or defect which the licensee is duty bound to attend and rectify.
- (h) Non giving or delay in giving electricity connection to an applicant.

The Hon'ble Tribunal has directed that, "all the State Commissions/ joint Commissions and Licensees shall send quarterly written status report regarding the functioning and performance in the approved format (complaints received/adjudicated or settled) to the Secretary, Forum of Regulators who will comply and post the said information online. He would also file a status report in this Tribunal once in 03 months in the Format already approved through our order dated 15-04-2010."

The monthly status is being conveyed by the MSERC to the Secretary FOR in the said Format by 15th of each month so that APTEL can be apprised of.

12. OMBUDSMAN

Powers and function

- (1) If the licensee fails or neglects to remove or set right the fault or defect complained of by the consumer or if the Forum neglects or is otherwise unable to deal with the complaint made to it the aggrieved consumer may, within ten days from the last day of the time set for under sub-regulation (1) of regulation 6 or from the date of seeking redress from the Forum under sub-regulation (1) of regulation 4, as the case may be, make a representation to the Ombudsman for redresses of the grievance.
- (2) On receiving a representation, the Ombudsman shall after due examination and consideration settle the grievance of the consumer.
- (3) In exercising its function the Ombudsman shall have the powers to call for reply, information date, records and other related documents from the licensee or from any other person who may be concerned with and to hear them.
- (4) The Ombudsman may, if necessary, engage or consult a person having special knowledge or experience in the matter under consideration for this opinion or advice.
- (5) Notwithstanding anything contained in his regulation the Ombudsman may *suo- moto* take up any matter which is a subject of general grievance by consumers relating to supply of electricity in any area in the State.

In exercise of the power under section (2) of section 181 read with sub – section (5) and (7) of section 42 of the Electricity Act 2003 and the regulations framed there-under, the Meghalaya State Electricity Regulatory Commission presently Shri Karmel Marbaniang, is the Electricity Ombudsman.

The Hon’ble Tribunal has directed that, “all the State Commissions/ joint Commissions and Licensees shall send quarterly written status report regarding the functioning and performance in the approved format (complaints received/adjudicated or settled) to the Secretary, Forum of Regulators who will comply and post the said information online. He would also file a status report in this Tribunal once in 03 months in the Format already approved through our order dated 15-04-2010.”

The monthly status is being conveyed by the SERC’s to the Secretary FOR in the said Format by 15th of each month so that APTEL can be apprised of.

13. FINANCIAL RESOURCES

Section 103 of the Electricity Act, 2003 provides for the creation of a State Electricity Regulatory Commission fund. Section 102 of the Act provides for grants and

loans to be extended to the Commission by the State Government. In addition any revenue arising out of collection of fees by the Commission is also to be credited to this fund. Against this background the situation for the period under review is as follows:-

1. This Commission received Rs 106.40 Lakhs as grants-in-aid from State government in 2014-15.
2. In terms of fees the Commission has so far received Rs 23,03,700.00 from the Me.ECL & others for the tariff applications/petitions filed by them during the period.

14. TARIFF ORDER FOR SLDC

The Commission on 30th March 2015 issued Tariff Order for SLDC for fiscal year 2015-16 after due publicity, public hearing and consultation.

15. TARIFF ORDER FOR TRANSMISSION

The Commission on 30th March 2015 issued Tariff Order for MePTCL for fiscal year 2015-16 after due publicity, public hearing and consultation. While issuing the Tariff order the Commission gave number of new directives to the MePTCL to comply with.

COMMISSION DIRECTIVES

Compliance of Directives of MSERC vide Transmission Tariff Order dated 10.04.2014 for 2014-15

- The provisions of the State Grid Code with regard to interface meters, monitoring of drawal, record keeping and operation are being followed by MePTCL. The State Load Despatch Centre is closely monitoring the system operation and ensures that the transfer of energy is according to CERC's guidelines.
- The Statements of Accounts for FY2011-12 have been audited and the accounts for FY2012-13 are being currently audited. The preparation of Asset Register is planned to be undertaken after the segregation of accounts for MeECL and its subsidiaries.
- MePTCL has submitted the Senior Electrical Inspector certificates of completed projects to MSERC vide letter No. MePTCL/ACE/T&T/T-102/2013-14/80 Distribution Transformer 20.01.2014. The certificates of other projects shall be submitted to MSERC on completion and when received from the Senior Electrical Inspector.
- Functional independence of SLDC has been notified vide Government of Meghalaya, Power Department notification no. Power-79/2009/445 dated 18.06.2013 wherein it was mandated that (i) the SLDC shall work as a Strategic Business Unit (SBU) under

the State Transmission Utility (STU), MePTCL. The SLDC shall remain under administrative control of MePTCL. A separate bank account for SLDC has been opened w.e.f 27.08.2013 for SLDC. SLDC is operating the Bank account for collection of Application fee, UI charges, Reactive Energy charges etc. The complete ring fencing is expected after the total segregation of MePTCL becomes effective.

- The status of metering and mechanism for recording and collection of information required for calculation of voltage wise losses at transmission level and initiating the exercise of energy audit in the transmission sector was sent to MSERC vide. MePTCL/ACE/T&T/T-102(Pt-I)/2014-15/38 dt. 07.10.2014.
- Preparation of the Norms for Operation and Maintenance require a primary input which is segregated cost of network-wise assets. However, currently the accounts of companies are being segregated for the year FY2013-14 which will provide a base for accounting of MePTCL revenue and expenditure. Also, MePTCL is a newly incorporated entity which is in second year of its segregated operation and is yet to streamline its processes to arrive at such expenditure details required for finalization of O&M norms. Keeping in view the genuine constraints, it is submitted that MePTCL will be in a position to submit the O&M norms during filing of Mid-Term Review petition.
- MePTCL is complying with the directives issued by dispatch centers/ appropriate authorities in order to maintain grid discipline. There was no major incident during 2014-15.

New Directives

1. As discussed in the order, MePTCL shall submit its investment plan proposed to be in the control period to the Commission for its approval by 30.08.2015. The plan should be accompanied with agreement of financing, approval from appropriate authority and details of the project with cost benefit analysis, etc.
2. While allowing open access, the STU shall ensure that the availability capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the control period. Any failure of the grid on account of over utilization of the present capacity by open access shall be investigated. STU shall submit the latest position of interstate lines capacity and spinning reserve in accordance with regulations and sanction NOC for open access. While working out the capacity of the different lines MePTCL shall account for the new capacity addition by the central generating

stations to the State in the control period. This report should be submitted by 30.08.2015.

3. STU shall also ensure the compliance of provision of grid code, MSERC regulation while allowing open access and shall recover the charges as allowed by the Commission and its regulations.
4. While allowing ARR, the capital investment plans considered for depreciation and loan repayments are indicative figures and shall be approved only after submission of business plan by the licensee latest by 30.08.2015.
5. The Commission is concerned about the incompleteness of accounts for FY 2012-13 & 2013-14. It is therefore decided that the Commission shall accept the investment plans if submitted with the audited results by 30.08.2015.

16. TARIFF ORDER FOR GENERATION

The Commission on 30th March 2015 issued Tariff Order for MePGCL for fiscal year 2015-16 after due publicity, public hearing and consultation. While issuing the Tariff order the Commission gave number of new directives to the MePGCL to comply with.

COMMISSION DIRECTIVES

Compliance Report on the directives given in the tariff order of 2013-14

Direction 1:

Power purchase agreement: The regulation prescribes that there would be a power purchase agreement or commercial agreement between the company and beneficiary company. It will contain all the terms and conditions for purchase of energy and payment thereof. It would also cover the installed capacity and designed energy and the period of supply. The PPA should be in accordance with the tariff regulation notified by the Commission from time to time. Accordingly, the Commission directs the generating company and MePDCL to have a commercial agreement for purchase of energy from MePGCL plants within three months of issue of this order.

Compliance:

MePGCL submitted that a power purchase agreement has already been signed between MePDCL and MePGCL, copy of which has been sent vide their letter dated 25.09.2013.

Direction 2:

MePGCL shall file a tariff petition for new projects like Leshka and Lakroh after their COD achieved for determination of final tariff.

Compliance:

MePGCL submitted that revised cost estimate of the MLHEP was sent to CEA for vetting the same. Further it is informed that Government of Meghalaya has also formed a state level technical committee for scrutiny of Leshka power project, report of which is awaited. The tariff filing shall be made after getting the project cost approved by CEA and others. For Lakroh project MePGCL submitted that it is yet to achieve commercial operation. MePGCL will be filing the petition as soon as the project is completed.

Direction 3:

Regulation prescribes that norms of operation shall be determined for each plant separately by calculating normative annual plant availability factor (NAPAF), auxiliary consumption and transformation losses. This year the Commission is not satisfied with the assumptions taken by the generating company for working out their NAPAF for each plant without any validated supporting information. The Commission directs MePGCL to conduct a study for determining the designed energy, availability, generation, water levels and determine NAPAF based on actual data and submit a report to the Commission with supporting data within six months time.

Compliance:

MePGCL has submitted a detailed report on the computation of NAPAF and designed energy vide their letter dated 25.09.2013. MePGCL has also studied the station wise hourly generation for the last three financial years and the same is reflected in the ARR petition.

Direction 4:

Performance improvement: The Commission directs MePGCL to conduct a benchmarking study of its plant with other efficient utilities to explore further scope of improvement in operational efficiency, optimal utilisation of the sources, manpower rationalisation including incentive/disincentive schemes. This study should give benchmark for each plant in respect of key parameters including cost and submit a report within six months of this order.

Compliance:

MePGCL submitted a report on step taken on efficiency improvement vide its letter dated 25.09.2013. However, without segregated details of O & M cost for different station MePGCL is unable to conduct bench marking study by comparing the same with the other utilities.

Direction 5:

Renovation and modernisation of existing plant: The Commission directs MePGCL to make comprehensive RMU schemes for efficiency improvement and life extension of old and existing plants and submit the detailed project report to the Commission within a period of six months giving road map for completing these schemes.

Compliance:

MePGCL submitted that a detailed report on R & M on the existing plant for stage II is already submitted to the Commission vide letter dated 25.09.2013.

Direction 6:

Financial statement of accounts: The Commission directs MePGCL to complete their annual accounts for 2012-13 and get it audited as per the statutory requirement so that in the next year ARR determination the Commission is not handicapped for want of audited data.

Compliance:

MePGCL submitted that statements of account for FY 2010-11 for the combined business of MeECL have been placed before the statutory auditor for its audit. Similarly, the statement of accounts for FY 2011-12 for the MeECL is being placed before the audit committee. For MePGCL, the process of trifurcation is under process and the statement of account for FY 2012-13 shall be prepared after the process is over.

Direction 7:

MePGCL shall open a depreciation reserve fund within 30 days of this order wherein the depreciation amount allowed against the existing plant shall be deposited. This fund shall be used for renovation and modernization work.

Compliance:

MePGCL informed that in absence of sufficient fund it is yet to open a separate depreciation reserve fund.

New Directions

Improvement of Performance

The Commission is concerned about the improvement in the performance of the Corporation so that the generation and the availability of the plants are improved. In order to conduct a bench mark study, the Commission has already directed the Corporation in its order for 2013-14. The Commission reiterates its position and direct the Corporation to apply the report made on bench marking. The Corporation is further directed to submit an action plan for implementation of efficiency improvement and manpower rationalization measures giving target dates for completion of each milestone of proposed plan within six months of issuance of this order.

Control on Expense

The Commission directs the Corporation to prepare an annual budget for FY 2015-16 for each and every plant and submit the same to the Commission within one month of the issuance of this Order so that expenses are made with in the provision of tariff order and regulations.

Business Plan

As required in the regulation MePGCL is required to file all investment plans to be undertaken in the control period for approval of the Commission by 30.08.2015 so that same may be considered at the time of midterm review. The Corporation is also required to file mandatory requirement for approval of the project like submission of DPRs, investment agreements, approval of the appropriate authority, cost and benefit analysis of the work to be undertaken, etc with the petition of approval of investment plans.

MePGCL is to ensure compliances of directions issued by the Commission from time to time and send their compliance report in timely manner. It is important to adhere with the efficiency standards at each level and the Corporation shall improve from the current level and reach to the best standards in the sector. Finally the Commission would like to appreciate the response from MePGCL for submitting all required information to the Commission as and when required.

17. TARIFF ORDER FOR DISTRIBUTION

1.1 Compliance of earlier Directives

The Commission issued directives in the Tariff Order to MePDCL on 31st March, 2015 after following due process. New Tariff Order was made effective from 1st April, 2015 to 31st March, 2016. This year the fresh directives are being issued which are given below:

1.2 Directive-1

The Commission has not allowed any investments without proper scrutiny in the order and therefore the licensee need to submit investment plans to the commission if that are not central plan funded by majority of grant. As discussed in the order, MePDCL shall submit its investment plan proposed to be in the control period to the Commission for its approval by 30.08.2015. The plan should be accompanied with agreement of financing, approval from appropriate authority and details of the project with cost benefit analysis, etc.

1.3 Directive-2

MePDCL is directed to create a dedicated energy management cell that will be responsible for energy management on day to day basis and make sure that the consumers of the State get 24x7 supply throughout the year by managing the energy transfers/sale/purchase/swapping, etc at optimum level and at best price. Report of compliance should be sent by 30.8.2015.

1.4 Directive-3

While allowing open access, the MePDCL shall ensure that the availability capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the consumers. It is further directed that MePDCL shall make techno commercial impact study before releasing the OA. The MePDCL in consultation with the Energy Management unit and Commercial unit shall examine the process of open access in the State on month to month basis and study the liabilities of the Corporation with respect to meeting its fixed charges during the season of surplus power or otherwise in situation of open access (FY 2014-15) and submit the proposal of additional charges to the Commission by 30.4.2015.

1.5 Directive-4

Progress report of replacement of defective meters and electromechanical meters on revenue yielding consumers should be sent by 30.8.15.

1.6 Directive-5

The present status of implementation of computerized billing shall be reported by 30th August, 2015.

1.7 Directive-6

The results of the energy audit in the Byrnihat Industrial area shall be reported by 30th September, 2015.

1.8 Directive-7

The audited financial statement has not been furnished by MePDCL for the financial year 2012-13 and 2013-14 which are mandatory under MYT Regulations.

It may be mentioned that as per section 210 of the Companies Act, 1956 read with section 166, a company has to place the audited accounts within six months of the end of the financial year. MePDCL shall submit the audited result by 30.9.2015 with out which no investment plan shall be admitted.

1.9 Directive-8

MePDCL should conduct a man power study for optimum utilization of its resources, their training, placement of suitable person at each position etc. Report of compliance should be sent by 30.8.2015.

18. FINANCIAL DISCIPLINE

In terms of sub-section (1) of section 104 of the Electricity Act 2003, the Commission is required to maintain accounts and other records and prepare Annual Statement of Accounts in such forms as may be prescribed by the State Government in consultation with Comptroller and Auditor General of India (CAG). Under the provisions of sub-section (2) of Section 104 of the Act *ibid*, such Accounts are to be audited by the CAG.

19. AUDIT REPORT

The Commission engaged CAG empanelled statutory auditor M/s Randall & Co. Chartered Accountant for internal auditing to audit the accounts of the Commission for the 2006-07 to 2009-10 and M/s R. Pal & Co. Chartered Accountant for auditing the accounts of the Commission for 2010-11 to 2014-15.

Fund & Accounts Rule of MSERC was vetted by Controller & Auditor General of India and duly notified in the gazette of Meghalaya on 10th April 2014.

CAG has already audited the accounts of the Commission from 2006-07 to 2013-14 and the report printed as Compendium of CAG Report was furnished to Commissioner and Secretary Power, Government of Meghalaya. Copies of Compendium of Report were also furnished to CAG. CAG Audit Report for FY 2014-2015 received and attached with this report.

20. CONCLUSION

Commission will be monitoring the action taken on the directives issued to MeECL on submission of performance reports. During the period under review, the Commission received considerable support and encouragement from the Government, the Meghalaya Energy Corporation Ltd. and from all section of the public of Meghalaya. It is expected that this support will continue during ensuing years and the Commission would be in a position to consolidate the work done so far and take further strides towards establishing sustainable electricity regulatory and reform process in Meghalaya.

**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA ON THE ACCOUNTS OF THE MEGHALAYA STATE
ELECTRICITY REGULATORY COMMISSION, SHILLONG FOR THE YEAR
ENDING 31 MARCH, 2015**

We have audited the attached Balance Sheet of the Meghalaya State Electricity Regulatory Commission, Shillong as at 31 March, 2015, the Income and Expenditure Account and Receipt and Payment Account for the Year ended on that date under Section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971, read with Section 104(2) of the Electricity Act, 2003 and Rule 9 of the MSERC (Fund) Rules, 2013. These financial statements are the responsibility of the Commission. Our responsibility is to express an opinion on these financial based on our audit.

2. This Separate Audit Report contains general comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosures norms etc. Audit observations on financial transactions with regard to compliance with the Law, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any, are reported through Inspection Reports/CAG's Audit Reports separately.
3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
4. Based on our audit, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion, proper books of accounts and other relevant records have been maintained by the Commission as required under Rule 7(4) of the MSERC (Annual Accounts, Audit and Budget) Rules, 2013 so far as it appears from our examination of such books, subject to the observations made in subsequent paras.

iii. We further report that:

A. Income and Expenditure Account

Income

Income on Bank Account: Rs. 17.41 lakh

1. This is understated by Rs. 3.74 lakh due to non-accounting of interest accrued on two Multi Option Deposit (MOD) accounts of the Company for the year 2014-15. This has also resulted in understatement of 'surplus for the year' with corresponding understatements of 'current assets' to that extent.

B. Accounting Policies:

1. The Commission has not made any provisions for retirement benefits to the employees as required under Accounting Standard 15.

C. Grants-in-aid:

As against the Government Grants of Rs. 106.40 lakh due for receipt for the year 2014-15, the Commission did not receive any grant from Government of Meghalaya during the year 2014-15. However, it spent Rs. 71.35 lakh during the year out of the unspent balance of Rs.129.73 lakh as on 31 March 2014 leaving a balance of Rs. 58.38 lakh.

iv. Subject to our observation in the preceding paragraphs, we report that the Balance Sheet, Income and Expenditure Account and Receipts and Payments Account dealt with by this report are in agreement with the books of accounts.

v. In our opinion and to the best of our information and according to the explanations given to us, and subject to the significant matter stated above the said financial statements, and other matter mentioned in **Annexure-I** to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

(a) In so far as it relates to the Balance Sheet, of the state of affairs of the Commission as at 31 March 2015 and

(b) In so far as it relates to Income and Expenditure Account, of the 'Excess of Income over Expenditure' for the year ended on that date.

Sd/-

*For and on behalf of
the Comptroller and Auditor General of India.*

**Place : Shillong
Date: 24.11.2015**

Accountant General (Audit), Meghalaya

ANNEXURE-I

1. **Adequacy of Internal Audit System.**

The Commission does not have its own Internal Audit Wing. However, the Internal Audit for the year was outsourced to a Chartered Accountant Firm. The scope of internal audit covered all the expenses and receipts of the Commission during the year.

2. **Adequacy of Internal Control System.**

The following internal controls were observed by the Commission.

- The cash balances were physically verified and certified by a competent authority.
- Bank Reconciliation Statement is being prepared at regular intervals.
- Cheque Issue Register is being maintained in chronological order and certified by a competent authority.

3. **System of Physical Verification of Fixed Assets.**

Fixed Assets and Stock Register are being maintained and physical verification of Fixed Assets has been conducted as on 31 March, 2015.

4. **System of Physical Verification of Inventory.**

Stock purchases and issues were recorded chronologically and duly verified.

5. **Regularity in Payment of Statutory Dues.**

No instances of delay in remittance and payment of statutory dues were noticed in audit.